

Report on the

Barbour County Board of Education

Barbour County, Alabama

October 1, 2018 through September 30, 2019

Filed: December 3, 2021



Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner



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Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on the Barbour County Board of Education, Barbour County, Alabama, for the period October 1, 2018 through September 30, 2019. Under the authority of the ***Code of Alabama 1975***, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Jason Norsworthy
Examiner of Public Accounts

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Department of **Examiners of Public Accounts**

SUMMARY

Barbour County Board of Education October 1, 2018 through September 30, 2019

The Barbour County Board of Education (the “Board”) is governed by a five-member body elected by the citizens of Barbour County. The members and administrative personnel in charge of governance of the Board are listed on Exhibit 14. The Board is the governmental agency that provides general administration and supervision for Barbour County Public Schools, preschool through high school with the exception of schools administered by the Eufaula City Board of Education.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Board complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12.

A qualified opinion was issued for the General Fund and the Special Revenue Fund. The basis for the qualified opinions is explained in the Independent Auditor’s Report. An unmodified opinion was issued for the Governmental Activities and the Capital Projects Fund. An unmodified opinion means that the Board’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2019.

Financial statements for the fiscal year ending September 30, 2019, were not prepared by management until November 17, 2020. The Board’s failure to prepare timely financial statements may impact the relevance of the financial information presented to the users of the financial statements.

AUDIT FINDINGS

A finding that was presented in prior audits has not been resolved as shown on the Schedule of State and Local Compliance and Other Findings and it is summarized below.

- ◆ 2019-001 relates to noncompliance with requirements and regulations regarding submission of financial information to the Alabama Department of Education and publication of annual financial information. This finding was originally reported as Finding 2018-001.

Problems were found with the Board's internal controls over financial reporting and/or its internal controls over compliance for its federal assistance programs (Exhibit 17) and they are summarized below:

- ◆ 2019-002 relates to the Board's failure to maintain adequate supporting documentation for disbursements. This finding was originally reported as Finding 2018-003.
- ◆ 2019-003 relates to the Board's failure to ensure that Board employees and administrative personnel are paid based on the correct salary and supplement rates and for actual time earned. This finding was originally reported as Finding 2018-004.
- ◆ 2019-004 relates to the Board's failure to develop and implement procedures to ensure bank reconciliations are performed accurately and timely.
- ◆ 2019-005 relates to the Board's failure to develop and implement policies and procedures to ensure all transactions including journal entries recorded in the accounting records are reliable and supported by actual transactions.
- ◆ 2019-006 relates to the Board's failure to develop and implement policies and procedures to ensure transactions recorded in the accounting records are recorded in the proper period.
- ◆ 2019-007 relates to the Board's failure to ensure expenditures are accurately recorded in the accounting records.
- ◆ 2019-008 relates to the Board's failure to ensure that proper supporting documentation is maintained for all receipts and revenues including those collected by teachers and at athletic events.
- ◆ 2019-009 relates to the Board's failure to maintain time and effort reports for personnel services charged to the Title I program.

CHARGES AGAINST OFFICIALS/EMPLOYEES

As reflected on Exhibit 19, two employees were overpaid due to incorrect salary rates and supplements being paid to those individuals. Letters were sent to the employees requesting repayment totaling \$19,675.61.

At a meeting with the Chief Examiner, the former School Principal showed just cause as to why part of these amounts (\$6,978.94) should not be repaid; therefore, relief was granted for these amounts. The former School Principal failed to show just cause as to why the remaining portion of the amounts (\$661.73) should not be repaid; therefore, relief was denied for the remaining amounts due. Subsequently, the former School Principal repaid the remaining amount due.

The former School Teacher failed to appear and show just cause as to why the amounts should not be repaid; therefore, relief was denied as evidenced by the Order of the Chief Examiner. The former School Teacher entered into a repayment agreement with the Board. The total amount repaid upon this report's release (\$200) is shown as being paid on Exhibit 19, with the remaining amount reflected as unpaid.

Some of the charges remain due and unpaid and, as a result, this report will be certified to the Attorney General for collection.

EXIT CONFERENCE

Board members and administrative personnel, as reflected on Exhibit 14, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Board Members: Shirley Johnson, Louise Gibson, Jimmie Fryer, Johnnie Helms, and Ruby Jackson. Also in attendance were representatives from the Department of Examiners of Public Accounts: Christina Smith, Assistant Director-County Division; Tammy D. Shelley, Audit Manager; and Jason Norsworthy, Examiner.

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*Schedule of State and Local
Compliance and Other Findings*

Schedule of State and Local Compliance and Other Findings

For the Year Ended September 30, 2019

Ref. No.	Finding/Noncompliance
2019-001	<p><u>Finding:</u></p> <p>The Alabama State Department of Education (ALSDE) requires General Purpose Financial Statements to be submitted on or before November 1st annually. Furthermore, the <i>Code of Alabama 1975</i>, Section 16-8-37, requires the county board of education to publish a complete statement of receipts by source and disbursements by function for the fiscal year and a statement of outstanding indebtedness at fiscal year-end annually during the month of October.</p> <p>Year-end accounting closeout and correcting journal entries were not prepared timely by Board personnel. The Board did not submit the General Purpose Financial Statements for fiscal year 2019 to the ALSDE until August 28, 2020. Furthermore, the Chief School Financial Officer failed to provide the required 2019 financial information to be published in a local newspaper.</p> <p>As a result, the Board failed to submit the required information to the ALSDE by the required deadline or comply with the <i>Code of Alabama 1975</i>, Section 16-8-37.</p> <p>This finding was first reported as Finding 2018-001.</p> <p><u>Recommendation:</u></p> <p>The Board should ensure accounting records are correct and year-end journal entries are made timely in order to meet the ALSDE due date for the General Purpose Financial Statements and publish financial information timely as required by the <i>Code of Alabama 1975</i>, Section 16-8-37.</p>

Independent Auditor's Report

Independent Auditor's Report

Members of the Barbour County Board of Education,
Superintendent and Chief School Financial Officer
Clayton, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Barbour County Board of Education, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Barbour County Board of Education as listed in the table of contents as Exhibits 1 through 6.

Management's Responsibility for the Financial Statements

The management of the Barbour County Board of Education is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Governmental Fund - General Fund	Qualified
Governmental Fund - Special Revenue Fund	Qualified
Governmental Fund - Capital Projects Fund	Unmodified

Basis for Qualified Opinions on the General Fund and Special Revenue Fund (Governmental Funds)

The General Fund's cash balance as shown in the governmental fund financial statements is overstated by \$158,666.81. Management posted unsupported journal entries to cash to force the account to balance; however, the adjustments were not supported by actual revenues or cash deposits.

The Special Revenue Fund's cash balance as shown in the governmental fund financial statements is overstated by \$122,045.07. Management recorded cash received in a subsequent fiscal year in the cash deposits of fiscal year 2019 in error, and this error was not corrected.

Qualified Opinions on the General Fund and Special Revenue Fund (Governmental Funds)

In our opinion, except for the effect of the matters described in the "Basis for Qualified Opinions on the General Fund and Special Revenue Fund" paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and the Special Revenue Fund of the Barbour County Board of Education, as of September 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities and the Capital Projects Fund of the Barbour County Board of Education as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability, the Schedule of the Employer's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability, the Schedules of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 7 through 12), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Barbour County Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 13), as required by Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (*Uniform Guidance*), is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated November 5, 2021, on our consideration of the Barbour County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Barbour County Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Barbour County Board of Education's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

November 5, 2021

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Basic Financial Statements

Statement of Net Position
September 30, 2019

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 958,900.87
Ad Valorem Property Taxes Receivable	1,209,020.18
Receivables (Note 4)	301,685.08
Inventories	25,343.37
Capital Assets (Note 5):	
Nondepreciable	224,505.47
Depreciable, Net	4,761,966.55
Total Assets	<u>7,481,421.52</u>
<u>Deferred Outflows of Resources</u>	
Employer Pension Contribution	606,284.41
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	565,000.00
Employer Other Postemployment Benefit (OPEB) Contribution	255,700.00
Proportionate Share of Collective Deferred Outflows Related to Net OPEB Liability	137,603.00
Total Deferred Outflows of Resources	<u>1,564,587.41</u>
<u>Liabilities</u>	
Accounts Payable	18,501.79
Unearned Revenue	57,470.04
Salaries and Benefits Payable	684,756.97
Accrued Interest Payable	93,048.59
Long-Term Liabilities (Note 8):	
Portion Payable Within One Year	242,993.03
Portion Payable After One Year	19,469,736.97
Total Liabilities	<u>20,566,507.39</u>
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Taxes	1,209,020.18
Revenue Received in Advance - Motor Vehicle Taxes	62,102.10
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	1,208,000.00
Proportionate Share of Collective Deferred Inflows Related to Net OPEB Liability	817,388.00
Total Deferred Inflows of Resources	<u>\$ 3,296,510.28</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

	Governmental Activities
<hr/>	
<u>Net Position</u>	
Net Investment in Capital Assets	\$ (92,426.98)
Restricted for:	
Capital Projects	262,856.72
Debt Service	90,096.19
Child Nutrition	261,628.54
Other Purposes	479,340.19
Unrestricted	<u>(15,818,503.40)</u>
Total Net Position	<u><u>\$ (14,817,008.74)</u></u>

Statement of Activities
For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
<u>Governmental Activities</u>						
Instruction	\$ 4,587,266.43	\$ 51,464.20	\$ 3,517,275.36	\$ 90,568.91	\$	(927,957.96)
Instructional Support	1,471,746.25	31,622.97	1,260,377.92			(179,745.36)
Operation and Maintenance	813,864.16	31,417.25	523,877.07	61,783.09		(196,786.75)
Auxiliary Services:						
Student Transportation Services	864,517.11	35.44	727,178.05	113,744.00		(23,559.62)
Food Services	762,298.26	607,607.08	40,206.26			(114,484.92)
General Administration and Central Support	808,723.94	302.78	413,245.71			(395,175.45)
Interest and Fiscal Charges	171,569.74					(171,569.74)
Other Expenses	541,005.76	5,644.24	525,179.44			(10,182.08)
Total Governmental Activities	<u>\$ 10,020,991.65</u>	<u>\$ 728,093.96</u>	<u>\$ 7,007,339.81</u>	<u>\$ 266,096.00</u>		<u>(2,019,461.88)</u>
<u>General Revenues:</u>						
Taxes:						
Property Taxes for General Purposes						1,394,397.87
Local Sales Tax						570,224.39
Other Taxes						39,307.17
Grants and Contributions Not Restricted for Specific Programs						160.00
Investment Earnings						2,384.77
Miscellaneous						349,021.98
Total General Revenues						<u>2,355,496.18</u>
Changes in Net Position						
Net Position - Beginning of Year						<u>(15,153,043.04)</u>
Net Position - End of Year					\$	(14,817,008.74)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Balance Sheet
Governmental Funds
September 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<u>Assets</u>				
Cash and Cash Equivalents	\$ 349,276.40	\$ 345,749.38	\$ 263,875.09	\$ 958,900.87
Ad Valorem Property Taxes Receivable	1,209,020.18			1,209,020.18
Receivables (Note 4)	50,647.58	251,037.50		301,685.08
Due from Other Funds	260,092.80	69,497.76	447.97	330,038.53
Inventories		25,343.37		25,343.37
Total Assets	<u>1,869,036.96</u>	<u>691,628.01</u>	<u>264,323.06</u>	<u>2,824,988.03</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
<u>Liabilities</u>				
Accounts Payable	247.40	18,254.39		18,501.79
Due to Other Funds	69,945.73	260,092.80		330,038.53
Unearned Revenues		57,470.04		57,470.04
Salaries and Benefits Payable	643,167.01	41,589.96		684,756.97
Total Liabilities	<u>713,360.14</u>	<u>377,407.19</u>		<u>1,090,767.33</u>
<u>Deferred Inflows of Resources</u>				
Unavailable Revenue - Property Taxes	1,209,020.18			1,209,020.18
Revenue Received in Advance - Motor Vehicle Taxes	62,102.10			62,102.10
Total Deferred Inflows of Resources	<u>1,271,122.28</u>			<u>1,271,122.28</u>
<u>Fund Balances</u>				
Nonspendable:				
Inventories		25,343.37		25,343.37
Restricted for:				
Child Nutrition		236,285.17		236,285.17
Other Purposes	479,340.19			479,340.19
Debt Service			90,096.19	90,096.19
Capital Projects			262,856.72	262,856.72
Assigned to:				
Local Schools		52,592.28		52,592.28
Unassigned	(594,785.65)		(88,629.85)	(683,415.50)
Total Fund Balances	<u>(115,445.46)</u>	<u>314,220.82</u>	<u>264,323.06</u>	<u>463,098.42</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,869,036.96</u>	<u>\$ 691,628.01</u>	<u>\$ 264,323.06</u>	<u>\$ 2,824,988.03</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2019***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 463,098.42

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1)
are different because:

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported as assets in the governmental funds.

The Cost of Capital Assets is	\$ 12,722,063.96	
Accumulated Depreciation is	<u>(7,735,591.94)</u>	
		4,986,472.02

Long-term liabilities, including pension/OPEB obligations and funding agreements
payable, are not due and payable in the current period and, therefore, are not
reported as liabilities in the governmental funds.

Current Portion of Long-Term Debt	\$ 242,993.03	
Noncurrent Portion of Long-Term Debt	<u>19,469,736.97</u>	
		(19,712,730.00)

Deferred outflows and inflows of resources related to the pension plan are applicable
to future periods and, therefore, are not reported in the governmental funds. (36,715.59)

Deferred outflows and inflows of resources related to Other Postemployment
Benefits (OPEB) obligations are applicable to future periods and, therefore,
are not reported in the governmental funds. (424,085.00)

Interest on long-term debt is not accrued in the governmental funds but rather is
recognized as an expenditure when due.

Accrued Interest Payable	<u>(93,048.59)</u>
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Total Net Position - Governmental Activities (Exhibit 1)	<u>\$ (14,817,008.74)</u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<u>Revenues</u>				
State	\$ 5,262,270.61	\$	\$ 266,096.00	\$ 5,528,366.61
Federal	19,291.95	2,296,600.51		2,315,892.46
Local	2,004,875.06	267,552.29	95,464.34	2,367,891.69
Other	132,574.80	12,300.39		144,875.19
Total Revenues	7,419,012.42	2,576,453.19	361,560.34	10,357,025.95
<u>Expenditures</u>				
Current:				
Instruction	3,618,911.14	911,179.69		4,530,090.83
Instructional Support	1,107,870.85	401,807.20		1,509,678.05
Operation and Maintenance	636,018.17	52,658.64	118,175.00	806,851.81
Auxiliary Services:				
Student Transportation	787,458.94			787,458.94
Food Services		765,640.91		765,640.91
General Administration and Central Support	550,812.65	296,935.67		847,748.32
Other	389,009.69	164,233.76		553,243.45
Capital Outlay			1,113,899.00	1,113,899.00
Debt Service:				
Principal Retirement			145,000.00	145,000.00
Interest and Fiscal Charges			129,336.26	129,336.26
Debt Issuance Costs/Other Debt Service			3,075.00	3,075.00
Total Expenditures	7,090,081.44	2,592,455.87	1,509,485.26	11,192,022.57
Excess (Deficiency) of Revenues Over Expenditures	328,930.98	(16,002.68)	(1,147,924.92)	(834,996.62)
<u>Other Financing Sources (Uses)</u>				
Indirect Cost	49,253.17			49,253.17
Long-Term Debt Issued			1,113,899.00	1,113,899.00
Transfers In	144,259.89	87,941.29		232,201.18
Transfers Out	(87,941.29)	(144,259.89)		(232,201.18)
Total Other Financing Sources (Uses)	105,571.77	(56,318.60)	1,113,899.00	1,163,152.17
Net Changes in Fund Balances	434,502.75	(72,321.28)	(34,025.92)	328,155.55
Fund Balances - Beginning of Year	(549,948.21)	386,542.10	298,348.98	134,942.87
Fund Balances - End of Year	\$ (115,445.46)	\$ 314,220.82	\$ 264,323.06	\$ 463,098.42

The accompanying Notes to the Financial Statements are an integral part of this statement.

***Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2019***

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 328,155.55

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2)
are different because:

Capital outlays to purchase or build capital assets are reported in the governmental funds
as expenditures. However, in the Statement of Activities, the cost of those assets is
allocated over their estimated useful lives as depreciation expense. This is the
amount by which capital outlays differs from the depreciation expense in the period.

Capital Outlays	\$ 1,113,899.00	
Depreciation Expense	<u>(265,851.09)</u>	848,047.91

Proceeds from the issuance of debt are reported as financing sources in governmental
funds and thus contribute to the change in fund balance. Issuing long-term debt
increases liabilities in the Statement of Net Position but does not affect the
Statement of Activities. (1,113,899.00)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces
long-term liabilities in the Statement of Net Position and does not affect the Statement
of Activities. 145,000.00

Some expenses reported in the Statement of Activities do not require the use of
current financial resources and, therefore, are not reported as expenditures in the
governmental funds.

Accrued Interest Payable, Current Year Increase/(Decrease)	\$ 39,158.48	
Pension Expense, Current Year Increase/(Decrease)	(279,933.32)	
OPEB Expense, Current Year Increase/(Decrease)	<u>112,045.00</u>	
		<u>128,729.84</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 336,034.30

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

For the Year Ended September 30, 2019

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Barbour County Board of Education (the “Board”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

A. Reporting Entity

The Board is governed by a separately elected board composed of five members elected by the qualified electors of the County. The Board is responsible for the general administration and supervision of the public schools for the educational interests of the County (with the exception of cities having a city board of education).

Generally accepted accounting principles (GAAP) require that the financial reporting entity consist of the primary government and its component units. Accordingly, the accompanying financial statements present the Board (a primary government).

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on the application of these criteria, there are no component units which should be included as part of the financial reporting entity of the Board.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

Notes to the Financial Statements

For the Year Ended September 30, 2019

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Board does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Board's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Board reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board primarily receives revenues from the Education Trust Fund (ETF) and local taxes. Amounts appropriated from the ETF were allocated to the school board on a formula basis.
- ◆ **Special Revenue Fund** – This fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Various federal and local funding sources are included in this fund. Some of the significant federal funding sources include the federal funds that are received for Special Education, Title I, and the Child Nutrition Program in addition to various smaller grants, which are required to be spent for the purposes of the applicable federal grants. Also, included in this fund are the public and non-public funds received by the local schools which are generally not considered restricted or committed.
- ◆ **Capital Projects Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets and capital-related debt. Also included in this fund are Alabama Department of Education appropriations which are restricted to their use.

Notes to the Financial Statements

For the Year Ended September 30, 2019

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available when they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

1. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by the pledge of the three-mill school tax and certificates of deposit.

Notes to the Financial Statements

For the Year Ended September 30, 2019

2. Restricted Assets

Certain funds received from the State Department of Education for capital projects and improvements, as well as certain resources set aside for repayment of debt are considered restricted assets because they are maintained separately, and their use is limited. The Public School Capital Projects, Fleet Renewal, and bonds and warrants revenues and proceeds are restricted for use in various capital outlay projects, the purchase of school buses, and to report resources set aside to pay the principal and interest on debt as it becomes due. These restricted assets are included in cash and cash equivalents in both government-wide and fund financial statements.

3. Receivables

Sales tax receivables are based on the amounts collected within 60 days after year-end.

Millage rates for property taxes are levied at the first regular meeting of the County Commission in February of the initial year of the levy. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and taxes from local governments.

4. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

5. Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

Notes to the Financial Statements

For the Year Ended September 30, 2019

Depreciation on all assets is provided on the straight-line basis over the assets' estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Land Improvements (Exhaustible)	\$50,000	20 years
Buildings	\$50,000	25 – 50 years
Building Improvements	\$50,000	7 – 30 years
Equipment and Furniture	\$ 5,000	5 – 15 years
Vehicles	\$ 5,000	8 – 10 years
Assets Under Financing Agreements	\$ 5,000	10 years

6. Deferred Outflows of Resources

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond/Warrant premiums and discounts are deferred and amortized over the life of the debt. Bond/Warrants payable are reported net of the applicable bond/warrant premium or discount. Bond/Warrant issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

8. Deferred Inflows of Resources

Deferred inflows of resources are reported in the government-wide and fund financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

Notes to the Financial Statements

For the Year Ended September 30, 2019

9. Net Position/Fund Balances

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following categories:

- ◆ **Net Investment in Capital Assets** – Capital assets minus accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets plus or minus any deferred outflows of resources and deferred inflows of resources that are attributable to those assets or related debt. Any significant unspent related debt proceeds and any deferred outflows or inflows at year-end related to capital assets are not included in this calculation.
- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted portion of net position. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

Fund balance is reported in governmental funds in the fund financial statements under the following five categories:

- a) Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include inventories, prepaid items, and long-term receivables.
- b) Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- c) Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.

Notes to the Financial Statements

For the Year Ended September 30, 2019

- d) Assigned fund balances consist of amounts that are intended to be used by the Board for specific purposes. The Board authorized the Superintendent or Chief School Financial Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- e) Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Board to consider restricted amounts to have been reduced first. When an expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Board that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

10. Minimum Fund Balance Policy

The Barbour County Board of Education recognizes that the establishment and maintenance of adequate fund reserves is necessary to avoid disruption in the educational programs in the schools. The Superintendent or the Chief School Financial Officer will inform the Board, before the Board votes on a budget or budget amendment, if the approval of the budget or budget amendment will prevent the establishment or maintenance of a one-month's operating balance. A one-month's operating balance shall be determined by dividing by 12 the General Fund expenditures and fund transfers out. In determining the General Fund expenditures and transfers out, the proposed budget or budget amendment shall be used.

E. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Teachers' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Notes to the Financial Statements

For the Year Ended September 30, 2019

F. Other Postemployment Benefits (OPEB)

The Alabama Retired Education Employees' Health Care Trust (the "Trust") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due, pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Subsequent events were evaluated by management through the date the financial statements were issued.

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund and Special Revenue Fund with the exception of salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. All other governmental funds adopt budgets on the modified accrual basis of accounting. The Capital Projects Fund adopts project-length budgets. All appropriations lapse at fiscal year-end.

On or before October 1 of each year, each county board of education shall prepare and submit to the State Superintendent of Education the annual budget to be adopted by the County Board of Education. The Superintendent or County Board of Education shall not approve any budget for operations of the school for any fiscal year which shall show expenditures in excess of income estimated to be available plus any balances on hand.

Notes to the Financial Statements

For the Year Ended September 30, 2019

Note 3 – Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Board's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Note 4 – Receivables

On September 30, 2019, receivables for the Board's individual major funds are as follows:

	General Fund	Special Revenue Fund	Total
Receivables:			
Intergovernmental	\$50,647.58	\$251,037.50	\$301,685.08
Total Receivables	<u>\$50,647.58</u>	<u>\$251,037.50</u>	<u>\$301,685.08</u>

Notes to the Financial Statements

For the Year Ended September 30, 2019

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	Balance 10/01/2018	Additions	Retirements/ Reclassifications	Balance 09/30/2019
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 224,505.47	\$	\$	\$ 224,505.47
Total Capital Assets, Not Being Depreciated	224,505.47			224,505.47
Capital Assets Being Depreciated:				
Land Improvements	380,551.58			380,551.58
Buildings	5,787,596.28			5,787,596.28
Building Improvements	2,919,347.93			2,919,347.93
Equipment and Furniture	586,272.15			586,272.15
Vehicles	1,709,891.55			1,709,891.55
Assets Under Financing Agreement		1,113,899.00		1,113,899.00
Total Capital Assets Being Depreciated	11,383,659.49	1,113,899.00		12,497,558.49
Less Accumulated Depreciation for:				
Land Improvements	(194,527.78)	(17,410.49)		(211,938.27)
Buildings	(4,364,451.35)	(66,768.06)		(4,431,219.41)
Building Improvements	(1,137,238.86)	(74,199.29)		(1,211,438.15)
Equipment and Furniture	(297,869.90)	(24,059.06)		(321,928.96)
Vehicles	(1,475,652.96)	(27,719.24)		(1,503,372.20)
Assets Under Financing Agreement		(55,694.95)		(55,694.95)
Total Accumulated Depreciation	(7,469,740.85)	(265,851.09)		(7,735,591.94)
Total Capital Assets Being Depreciated, Net	3,913,918.64	848,047.91		4,761,966.55
Governmental Activities Capital Assets, Net	\$ 4,138,424.11	\$ 848,047.91	\$	\$ 4,986,472.02

Depreciation expense was charged to functions/programs of the primary government as follows:

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
Instruction	\$143,240.00
Instructional Support	8,273.59
Auxiliary Services:	
Food Service	30,923.31
Student Transportation	83,414.19
Total Depreciation Expense – Governmental Activities	<u>\$265,851.09</u>

Notes to the Financial Statements

For the Year Ended September 30, 2019

Note 6 – Defined Benefit Pension Plan

A. Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

B. Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members are eligible for retirement after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

Notes to the Financial Statements

For the Year Ended September 30, 2019

C. Contributions

Tier 1 covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2019, was 12.41% of annual pay for Tier 1 members and 11.35% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$606,284.41 for the year ended September 30, 2019.

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2019, the Board reported a liability of \$7,325,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2017. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2018, the Board's proportion was 0.073673%, which was a decrease of 0.000683% from its proportion measured as of September 30, 2017.

Notes to the Financial Statements

For the Year Ended September 30, 2019

For the year ended September 30, 2019, the Board recognized pension expense of \$315,000.00. At September 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 158,000.00	\$223,000.00
Changes of assumptions	407,000.00	
Net difference between projected and actual earnings on pension plan investments		553,000.00
Changes in proportion and differences between employer contributions and proportionate share of contributions		432,000.00
Employer contributions subsequent to the measurement date	606,284.41	
Total	\$1,171,284.41	\$1,208,000.00

The \$606,284.41 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
September 30, 2020	\$(167,000)
2021	\$(278,000)
2022	\$(189,000)
2023	\$ (16,000)
2024	\$ 7,000
Thereafter	\$ 0

Notes to the Financial Statements

For the Year Ended September 30, 2019

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment Rate of Return (*)	7.70%
Projected Salary Increases	3.25% - 5.00%

(*) Net of Pension Plan Investment Expense

The actuarial assumptions used in the September 30, 2017 valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015.

Mortality rates were based on the sex distinct RP-2000 White Collar Mortality Table Projected to 2020 using Scale BB and adjusted 115% for males and 112% for females age 78 and older. The rates of disabled mortality were based on the sex distinct RP-2000 Disabled Mortality Table Projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
Total	<u>100.00%</u>	

(*) Includes assumed rate of inflation of 2.50%.

Notes to the Financial Statements

For the Year Ended September 30, 2019

F. Discount Rate

The discount rate used to measure the total pension liability was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Sensitivity of the Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Board's proportionate share of the collective net pension liability calculated using the discount rate of 7.70%, as well as what the Board's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Board's Proportionate Share of Collective Net Pension Liability	\$10,196	\$7,325	\$4,896
(Dollar amounts in thousands)			

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2018. The auditor's report dated August 16, 2019, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2018, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Notes to the Financial Statements

For the Year Ended September 30, 2019

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

The Alabama Retired Education Employees' Health Care Trust (the "Trust") is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (PEEHIB) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in the Public Education Employees' Health Insurance Plan (PEEHIP). Active and retiree health insurance benefits are paid through PEEHIP. In accordance with GASB, the Trust is considered a component unit of the State of Alabama (the "State") and is included in the State's Comprehensive Annual Financial Report.

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975*, Section 16-25A-4, (Act Number 83-455, Acts of Alabama) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the PEEHIB. The PEEHIB is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975*, Section 16-25A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

B. Benefits Provided

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

Notes to the Financial Statements

For the Year Ended September 30, 2019

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of \$1,250 per year for individual coverage and \$1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eyeglasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. The Medicare Advantage plan is fully insured by United Healthcare and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the United Healthcare plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

C. Contributions

The *Code of Alabama 1975*, Section 16-25A-8, and the *Code of Alabama 1975*, Section 16-25A-8.1, provide the PEEHIB with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the PEEHIB is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

Notes to the Financial Statements

For the Year Ended September 30, 2019

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% for each year of service over 25 subject to adjustment by the PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the PEEHIB for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the PEEHIB. This reduction in the employer contribution ceases upon notification to the PEEHIB of the attainment of Medicare coverage.

D. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2019, the Board reported a liability of \$7,308,831.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of September 30, 2017. The Board's proportion of the collective net OPEB liability was based on a projection of the Board's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2018, the Board's proportion was 0.088929%, which was a decrease of 0.000891% from its proportion measured as of September 30, 2017.

Notes to the Financial Statements

For the Year Ended September 30, 2019

For the year ended September 30, 2019, the Board recognized OPEB expense of \$361,289.00, with no special funding situations. At September 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$137,603	\$
Changes of assumptions		356,008
Net difference between projected and actual earnings on OPEB plan investments		39,161
Changes in proportion and differences between employer contributions and proportionate share of contributions		422,219
Employer contributions subsequent to the measurement date	255,700	
Total	<u>\$393,303</u>	<u>\$817,388</u>

The \$255,700.00 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending	
September 30, 2020	\$(175,457)
2021	\$(175,457)
2022	\$(175,457)
2023	\$(166,666)
2024	\$ 3,191
Thereafter	\$ 10,061

Notes to the Financial Statements

For the Year Ended September 30, 2019

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases (*)	3.25% - 5.00%
Long-Term Investment Rate of Return (**)	7.25%
Municipal Bond Index Rate at the Measurement Date	4.18%
Municipal Bond Index Rate at the Prior Measurement Date	3.57%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2029
Single Equivalent Interest Rate the Measurement Date	4.44%
Single Equivalent Interest Rate the Prior Measurement Date	4.63%
Healthcare Cost Tread Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible	5.00% beginning in 2019
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75% in 2026
Medicare Eligible	4.75% in 2024

(*) Includes 3.00% wage inflation.
(**) Compounded annually, net of investment expense and includes inflation.

Mortality rates for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2017 valuation were based on a review of recent plan experience done concurrently with the September 30, 2017 valuation.

Notes to the Financial Statements

For the Year Ended September 30, 2019

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (*)
Fixed Income	30.00%	4.40%
U. S. Large Stocks	38.00%	8.00%
U. S. Mid Stocks	8.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	<u>100.00%</u>	
(*) Geometric mean, includes 2.5% inflation		

Notes to the Financial Statements

For the Year Ended September 30, 2019

F. Discount Rate

The discount rate, also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2018, was 4.44%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.63%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 20.307% of the employer contributions were used to assist in funding retiree benefit payments in 2018, and it is assumed that the amount will increase by 2.75% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. Therefore, the projected future benefit payments for all current plan members were projected through 2029. The long-term rate of return is used until the assets are expected to be depleted in 2029, after which the municipal bond rate is used.

G. Sensitivity of the Board's Proportionate Share of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates and in Discount Rates

The following table presents the Board's proportionate share of the collective net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00% Decreasing to 3.75% for Pre-Medicare and 4.00% Decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (7.00% Decreasing to 4.75% for Pre-Medicare and 5.00% Decreasing to 4.75% for Medicare Eligible)	1% Increase (8.00% Decreasing to 5.75% for Pre-Medicare and 6.00% Decreasing to 5.75% for Medicare Eligible)
Board's proportionate share of the collective net OPEB liability	\$6,008,026	\$7,308,831	\$8,964,938

Notes to the Financial Statements

For the Year Ended September 30, 2019

The following table presents the Board's proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 4.44%, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (3.44%)	Current Rate (4.44%)	1% Increase (5.44%)
Board's Proportionate Share of Collective Net OPEB Liability	\$8,730,952	\$7,308,831	\$6,161,687

H. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2018. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 8 – Long-Term Debt

2009 Funding Agreement with County Commission

On May 1, 2009, the Board entered into a funding agreement (in the form of a sale-lease back) with the Barbour County Commission (the "Commission"). Pursuant to this agreement the Board sold its various schools, buildings, and equipment therein which consists of the Barbour County High School, the Barbour County Middle School, the Barbour County Intermediate School, and the Barbour County Primary School to the Commission for \$3,875,000.00 to (i) acquire and construct certain capital improvements to the leased property, to consist of renovations to Barbour County Primary, Intermediate, Middle, and High Schools and additions to Barbour County Primary and High Schools, (ii) to currently refund the Board's Capital Outlay Warrants, Series 1999, with an outstanding principal balance of \$2,270,000.00, and (iii) to pay certain costs of issuance of the Commission's Limited Obligation School Warrants, Series 2009. To obtain the sum of \$3,875,000.00, the Commission issued its Limited Obligation School Warrants, Series 2009 (the "Series 2009 Warrants"). The Board agreed to pay all principal and interest on the Series 2009 Warrants and when the Series 2009 Warrants are fully paid, the Commission will convey the assets, in their then condition, to the Board without payment of any further consideration to the Commission by the Board. In substance, this agreement was considered a funding agreement rather than a sale-lease back because the Board has continued involvement in the property without transfer of risk and reward.

Notes to the Financial Statements

For the Year Ended September 30, 2019

In the event of default, the Commission may take any one or more of the following remedial actions: (1) take possession of the leased property, exclude the Board from possession, and rent the property for the account of the Board, (2) terminate the lease, (3) declare the balance of the outstanding warrants plus interest due immediately, (4) have access to and inspect the books and records of the Board, and/or (5) take whatever legal proceedings may appear necessary or desirable to collect the rent due, or to enforce any obligation of the Board under the lease. According to the funding agreement, these remedies are not exclusive. If the Commission employs attorneys at law or incurs other expenses in the collection of rent as a result of an event of default by the Board, the Board will pay to the Commission reasonable attorneys' fees and other reasonable expenses incurred by the Commission.

Series 2016 Special Tax School Refunding Warrants

On November 7, 2016, the Board issued \$2,875,000.00 in Special Tax School Refunding Warrants, Series 2016, (the "Series 2016 Refunding Warrants") dated November 1, 2016, with interest rates ranging from 1.125% to 3.400%. The Series 2016 Refunding Warrants were issued for the following purposes: (1) advance refunding and redeeming a \$1,865,000.00 principal portion of the County's outstanding Limited Obligation School Warrants, Series 2009, (2) acquiring, constructing and equipping certain capital improvements to the Board's educational facilities and purchasing certain capital equipment for use by the Board, (3) purchasing a municipal bond insurance policy; and (4) paying issuance expenses. The Series 2016 Refunding Warrants are pledged to be repaid from the proceeds of the three-mill district ad valorem tax levied in the County for public school purposes and the Board's portion of the special privilege license tax (sales tax). These warrants will mature in fiscal year 2046.

2019 Secured Equipment Funding Agreement

On October 30, 2018, the Board entered into a funding agreement with Regions Equipment Finance Corporation for \$1,113,899.00 to finance the purchase of thirteen (13) new school buses. The buses purchased by the are pledged as collateral for the term of the agreement. In the event of default, the lender may terminate the agreement and the Board's use of the buses, take possession of and sell the buses, declare the entire unpaid principal and interest due, and take any other recourse available under law.

Notes to the Financial Statements

For the Year Ended September 30, 2019

The following is a summary of long-term debt obligations for the Board for the year ended September 30, 2019:

	Debt Outstanding 10/01/2018	Increased	Repaid/ Decreased	Debt Outstanding 09/30/2019	Amounts Due Within One Year
Governmental Activities:					
2009 Funding Agreement	\$ 1,365,000.00	\$	\$ (40,000.00)	\$ 1,325,000.00	\$ 45,000.00
Series 2016 Refunding Warrants	2,745,000.00		(105,000.00)	2,640,000.00	105,000.00
2019 Funding Agreement		1,113,899.00		1,113,899.00	92,993.03
Total Warrants and Funding Agreements	4,110,000.00	1,113,899.00	(145,000.00)	5,078,899.00	242,993.03
Net Pension Liability	7,308,000.00	17,000.00		7,325,000.00	
Net OPEB Liability	6,671,317.00	637,514.00		7,308,831.00	
Total Other Liabilities	13,979,317.00	654,514.00		14,633,831.00	
Total Governmental Activities Long-Term Liabilities	\$18,089,317.00	\$1,768,413.00	\$(145,000.00)	\$19,712,730.00	\$242,993.03

Payments on the 2009 Funding Agreement and 2016 Refunding Warrants are made with the Public School Fund appropriations from the Alabama Department of Education. Payments on the 2019 Funding Agreement will be paid from the Fleet Renewal appropriations from the Alabama Department of Education.

The following is a schedule of debt service requirements to maturity:

Fiscal Year Ending	2009 Funding Agreement		Series 2016 Special Tax School Refunding Warrants		2019 Funding Agreement		Total Principal and Interest Requirements to Maturity
	Principal	Interest	Principal	Interest	Principal	Interest	
September 30, 2020	\$ 45,000.00	\$ 59,737.50	\$ 105,000.00	\$ 66,781.26	\$ 92,993.03	\$ 43,999.01	\$ 413,510.80
2021	45,000.00	58,050.00	105,000.00	65,363.76	96,666.25	40,325.79	410,405.80
2022	45,000.00	56,362.50	105,000.00	63,788.76	100,484.57	36,507.47	407,143.30
2023	50,000.00	54,675.00	105,000.00	62,213.76	104,453.71	32,538.33	408,880.80
2024	50,000.00	52,675.00	110,000.00	60,271.26	108,579.63	28,412.41	409,938.30
2025-2029	285,000.00	230,247.50	585,000.00	266,656.30	610,721.81	74,238.39	2,051,864.00
2030-2034	360,000.00	159,762.50	660,000.00	190,137.54			1,369,900.04
2035-2039	445,000.00	66,000.00	765,000.00	88,645.00			1,364,645.00
2040-2044			70,000.00	12,580.00			82,580.00
2044-2046			30,000.00	1,530.00			31,530.00
Totals	\$1,325,000.00	\$737,510.00	\$2,640,000.00	\$877,967.64	\$1,113,899.00	\$256,021.40	\$6,950,398.04

Notes to the Financial Statements

For the Year Ended September 30, 2019

Pledged Revenues

In accordance with the terms of the issuance of their Series 2016 Special Tax School Refunding Warrants, the Board has pledged the proceeds of the three mill countywide ad valorem tax levied in the County for public school purposes pursuant to Amendment Number 3 to the ***Constitution of Alabama of 1901***, as amended (the “Three Mill Tax”) and the Board’s portion of the special privilege license tax (the “Sales Tax”) levied in the County pursuant to the ***Code of Alabama 1975***, Section 40-12-4, by the Barbour County Commission to make the required annual principal and interest payments. Future revenues in the amount of \$3,517,967.64 are pledged to repay the principal and interest on the warrants at September 30, 2019. Principal and interest payments totaling \$173,198.76 were made for the fiscal year ended September 30, 2019. The warrants will mature fiscal year 2039.

Note 9 – Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF) part of the State of Alabama, Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state owned properties and county boards of education. The Board pays an annual premium based on the amount of coverage requested. The SIF is self-insured up to \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$3.5 million. Automobile and fleet insurance is purchased through a commercial carrier. General liability insurance and errors and omissions insurance are purchased from the Alabama Trust for Boards of Education (ATBE), a public entity risk pool. The ATBE collects the premiums and purchases excess insurance for any amount of coverage requested by pool participants in excess of the coverage provided by the pool. Employee health insurance is provided through the Public Education Employees’ Health Insurance Fund (PEEHIF), administered by the Public Education Employees’ Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan’s actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes a specified amount monthly to the PEEHIF for each employee of state educational institutions. The Board’s contribution is applied against the employees’ premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the Board’s coverage in any of the past three fiscal years.

Notes to the Financial Statements

For the Year Ended September 30, 2019

The Board does not have insurance coverage of job-related injuries. Board employees who are injured while on the job are entitled to salary and fringe benefits of up to ninety working days in accordance with the *Code of Alabama 1975*, Section 16-1-18.1(d). Any unreimbursed medical expenses and costs which the employee incurs as a result of an on-the-job injury may be filed for reimbursement with the State Board of Adjustment.

Note 10 – Interfund Transactions

Interfund Receivables and Payables

The interfund receivables and payables at September 30, 2019, were as follows:

	Interfund Receivables			Total
	General Fund	Special Revenue Fund	Capital Projects Fund	
<u>Interfund Payables:</u>				
General Fund	\$	\$69,497.76	\$447.97	\$ 69,945.73
Special Revenue Fund	260,092.80			260,092.80
Total	<u>\$260,092.80</u>	<u>\$69,497.76</u>	<u>\$447.97</u>	<u>\$330,038.53</u>

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2019, were as follows:

	Transfers In		Total
	General Fund	Special Revenue Fund	
<u>Transfers Out:</u>			
General Fund	\$	\$87,941.29	\$ 87,941.29
Special Revenue Fund	144,259.89		144,259.89
Total	<u>\$144,259.89</u>	<u>\$87,941.29</u>	<u>\$232,201.18</u>

The Board typically used transfers to fund ongoing operating subsidies and to recoup certain expenditures paid on behalf of the local schools.

Notes to the Financial Statements

For the Year Ended September 30, 2019

Note 11 – Subsequent Events

The United States encountered a COVID-19 pandemic which is adversely affecting the nation. On March 13, 2020, the President of the United States declared a state of emergency in response to the COVID-19 pandemic. Subsequently, on the same day, the Governor of Alabama declared a state of emergency. As a result, the operations of federal, state, and local governments including educational institutions have been modified to ensure the safety of its citizenry as well as its employees. Although operations for the Board were modified, there has been no significant negative impact to the Board's financial condition because of the pandemic.

On December 14, 2020, the Board approved issuance of a short-term line-of-credit with 22nd State Bank not to exceed \$500,000, at a variable annual rate of no less than 4.25% through September 30, 2021. As of the report date, no funds have been drawn from the line-of-credit.

Required Supplementary Information

Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability
For the Year Ended September 30, 2019
(Dollar amounts in thousands)

	2019	2018	2017	2016	2015
Employer's proportion of the collective net pension liability	0.073673%	0.074356%	0.075055%	0.079495%	0.085129%
Employer's proportionate share of the collective net pension liability	\$ 7,325	\$ 7,308	\$ 8,125	\$ 8,320	\$ 7,734
Employer's covered payroll during the measurement period (*)	\$ 4,914	\$ 4,915	\$ 4,763	\$ 5,048	\$ 5,397
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	149.06%	148.69%	170.59%	164.82%	143.30%
Plan fiduciary net position as a percentage of the total collective pension liability	72.29%	71.50%	67.93%	67.51%	71.01%

(*) Employer's covered payroll during the measurement period is the total covered payroll. (See GASB 82.)
For fiscal year 2019, the measurement period is October 1, 2017 through September 30, 2018.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the Employer's Contributions - Pension
For the Year Ended September 30, 2019
(Dollar amounts in thousands)

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 606	\$ 602	\$ 585	\$ 565	\$ 589
Contributions in relation to the contractually required contribution	\$ 606	\$ 602	\$ 585	\$ 565	\$ 589
Contribution deficiency (excess)	\$	\$	\$	\$	\$
Employer's covered payroll	\$ 4,854	\$ 4,914	\$ 4,915	\$ 4,763	\$ 5,048
Contributions as a percentage of covered payroll	12.48%	12.25%	11.90%	11.86%	11.67%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the Employer's Proportionate Share of the Collective
Net Other Postemployment Benefits (OPEB) Liability
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2019
(Dollar amounts in thousands)***

	2019	2018
Employer's proportion of the collective net OPEB liability	0.088929%	0.089820%
Employer's proportionate share of the collective net OPEB liability	\$ 7,309	\$ 6,671
Employer's covered-employee payroll during the measurement period (*)	\$ 4,914	\$ 4,915
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	148.74%	135.73%
Plan fiduciary net position as a percentage of the total collective OPEB liability	14.81%	15.37%

(*) Employer's covered-employee payroll during the measurement period is the total covered-employee payroll.
For fiscal year 2019, the measurement period is October 1, 2017 through September 30, 2018.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the Employer's Contributions - Other Postemployment Benefits (OPEB) Liability
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2019
(Dollar amounts in thousands)

	2019	2018
Contractually required contribution	\$ 256	\$ 225
Contributions in relation to the contractually required contribution	\$ 256	\$ 225
Contribution deficiency (excess)	\$	\$
Employer's covered-employee payroll	\$ 4,854	\$ 4,914
Contributions as a percentage of covered-employee payroll	5.27%	4.58%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information for Other Postemployment Benefits (OPEB) For the Year Ended September 30, 2019

Changes in Actuarial Assumptions

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

Recent Plan Changes

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the United Healthcare Medicare Advantage Plan with Prescription Drug Coverage (MAPD).

The Plan is changed periodically to reflect the Affordable Care Act (ACA) maximum annual out-of-pocket amounts.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of September 30, 2016, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.875%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2022 for Pre-Medicare Eligible 2018 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
<u>Revenues</u>					
State	\$ 5,025,295.00	\$ 5,025,295.00	\$ 5,262,270.61	\$	\$ 5,262,270.61
Federal			19,291.95		19,291.95
Local	1,934,660.00	1,934,660.00	2,004,875.06		2,004,875.06
Other			132,574.80		132,574.80
Total Revenues	6,959,955.00	6,959,955.00	7,419,012.42		7,419,012.42
<u>Expenditures</u>					
Current:					
Instruction	3,603,731.00	3,603,731.00	3,519,449.14	99,462.00	3,618,911.14
Instructional Support	1,089,986.00	1,089,986.00	1,092,085.33	15,785.52	1,107,870.85
Operation and Maintenance	570,468.00	570,468.00	641,580.27	(5,562.10)	636,018.17
Auxiliary Services:					
Student Transportation	771,928.00	771,928.00	779,875.80	7,583.14	787,458.94
General Administration and Central Support	497,691.00	497,691.00	543,749.86	7,062.79	550,812.65
Other	320,559.00	320,559.00	393,545.21	(4,535.52)	389,009.69
Capital Outlay	41,000.00	41,000.00			
Total Expenditures	6,895,363.00	6,895,363.00	6,970,285.61	119,795.83	7,090,081.44
Excess (Deficiency) of Revenues Over Expenditures	64,592.00	64,592.00	448,726.81	(119,795.83)	328,930.98
<u>Other Financing Sources (Uses)</u>					
Indirect Cost	69,472.42	68,130.00	49,253.17		49,253.17
Transfers In	231,022.00	231,022.00	144,259.89		144,259.89
Transfers Out	(164,793.00)	(164,793.00)	(87,941.29)		(87,941.29)
Total Other Financing Sources (Uses)	135,701.42	134,359.00	105,571.77		105,571.77
Net Changes in Fund Balances	200,293.42	198,951.00	554,298.58	(119,795.83)	434,502.75
Fund Balances - Beginning of Year	436,118.00	35,525.07	35,525.07	(585,473.28)	(549,948.21)
Fund Balances - End of Year	\$ 636,411.42	\$ 234,476.07	\$ 589,823.65	\$ (705,269.11)	\$ (115,445.46)

Explanation of Differences:

The Board budgets revenues and expenditures to the extent they are expected to be received or paid in the current fiscal period, rather than on the modified accrual basis.

\$ (119,795.83)

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
Revenues					
Federal	\$ 2,550,732.00	\$ 2,635,696.60	\$ 2,296,600.51	\$	2,296,600.51
Local	289,985.00	283,973.00	267,552.29		267,552.29
Other	7,814.00	7,814.00	12,300.39		12,300.39
Total Revenues	2,848,531.00	2,927,483.60	2,576,453.19		2,576,453.19
Expenditures					
Current:					
Instruction	1,094,508.82	1,134,633.80	911,179.69		911,179.69
Instructional Support	451,556.82	518,567.25	401,807.20		401,807.20
Operation and Maintenance	86,052.39	48,884.00	52,658.64		52,658.64
Auxiliary Services:					
Student Transportation	5,500.00	5,500.00			
Food Service	858,476.00	858,476.00	755,511.81	10,129.10	765,640.91
General Administration and Central Support	320,911.42	319,507.00	296,935.67		296,935.67
Other	256,716.55	256,790.55	164,233.76		164,233.76
Capital Outlay	30,000.00				
Total Expenditures	3,103,722.00	3,142,358.60	2,582,326.77	10,129.10	2,592,455.87
Excess (Deficiency) of Revenues Over Expenditures	(255,191.00)	(214,875.00)	(5,873.58)	(10,129.10)	(16,002.68)
Other Financing Sources (Uses)					
Transfers In	165,975.00	244,204.00	87,941.29		87,941.29
Transfers Out	(1,182.00)	(79,411.00)	(144,259.89)		(144,259.89)
Total Other Financing Sources (Uses)	164,793.00	164,793.00	(56,318.60)		(56,318.60)
Net Changes in Fund Balances	(90,398.00)	(50,082.00)	(62,192.18)	(10,129.10)	(72,321.28)
Fund Balances - Beginning of Year	473,951.00	388,859.12	418,002.96	(31,460.86)	386,542.10
Fund Balances - End of Year	\$ 383,553.00	\$ 338,777.12	\$ 355,810.78	\$ (41,589.96)	\$ 314,220.82

Explanation of Differences:

The Board budgets expenditures to the extent they are expected to be paid in the current fiscal period, rather than on the modified accrual basis.

\$ (10,129.10)

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Federal Expenditures
<u>U. S. Department of Agriculture</u>			
<u>Passed Through Alabama Department of Education</u>			
Child Nutrition Cluster:			
National School Lunch Program:			
Cash Assistance	10.555	N/A	\$ 366,259.16
Non-Cash Assistance (Commodities)	10.555	N/A	39,339.50
Sub-Total National School Lunch Program			405,598.66
School Breakfast Program - Cash Assistance	10.553	N/A	209,404.10
Sub-Total Child Nutrition Cluster			615,002.76
State Administrative Expenses for Child Nutrition	10.560	N/A	2,439.90
Total U. S. Department of Agriculture			617,442.66
<u>U. S. Department of Education</u>			
<u>Passed Through Alabama Department of Education</u>			
Title I Grants to Local Educational Agencies	84.010	N/A	1,258,191.41
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	284,409.39
Special Education - Preschool Grants	84.173	N/A	4,616.00
Sub-Total Special Education Cluster			289,025.39
Career and Technical Education - Basic Grants to States	84.048	N/A	34,386.00
Rural Education	84.358	N/A	15,399.00
Supporting Effective Instruction State Grants	84.367	N/A	100,548.00
Total U. S. Department of Education			1,697,549.80
<u>Social Security Administration</u>			
<u>Passed Through Alabama Department of Education</u>			
Social Security - Disability Insurance	96.001	N/A	900.00
Total Expenditures of Federal Awards			\$ 2,315,892.46

N/A = Not Available/Not Applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2019

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Barbour County Board of Education and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (*Uniform Guidance*). Because the Schedule presents only a selected portion of the operations of the Barbour County Board of Education, it is not intended to and does not present the financial position or changes in net position of the Barbour County Board of Education.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Barbour County Board of Education has not elected to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

Note 3 – Transferability

As allowed by federal regulations, the Barbour County Board of Education transferred \$78,229.00 from the Title IV, Part A, Student Support and Academic Enrichment Program (CFDA Number 84.424) to Title I Grants to Local Educational Agencies (CFDA Number 84.010). This amount is reflected in the expenditures of Title I Grants to Local Education Agencies.

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Additional Information

Board Members and Administrative Personnel
October 1, 2018 through September 30, 2019

Board Members		Term Expires
Hon. Shirley Johnson	President	2022
Hon. Jacqueline Davis	Vice-President	2020
Hon. Louise Gibson	Member	2018
Hon. Jimmie Fryer	Member	2022
Hon. Johnnie Helms	Member	2020
Hon. Ruby Jackson	Member	2020
<u>Administrative Personnel</u>		
Dr. Matthew Alexander, Jr.	Superintendent	2020
Marcus Lennon (*)	Chief School Financial Officer	2019

(*) Marcus Lennon was Chief School Financial Officer from September 10, 2018 through April 4, 2019. This position remained vacant until October 2019.

***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

Independent Auditor's Report

Members of the Barbour County Board of Education,
Superintendent and Chief School Financial Officer
Clayton, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Barbour County Board of Education (the "Board"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 5, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2019-004, 2019-005, 2019-006 and 2019-007 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2019-002, 2019-003 and 2019-008 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***. However, we noted a certain matter that we reported to the management of the Board in the Schedule of State and Local Compliance and Other Findings.

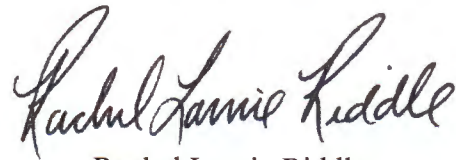
Barbour County Board of Education's Response to the Findings

The Board's response to the findings identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

November 5, 2021

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Members of the Barbour County Board of Education,
Superintendent and Chief School Financial Officer
Clayton, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Barbour County Board of Education's (the "Board") compliance with the types of compliance requirements described in the ***OMB Compliance Supplement*** that could have a direct and material effect on the Board's major federal programs for the year ended September 30, 2019. The Board's major federal program is identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with the Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***. Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Board's compliance.

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Basis for Qualified Opinion on Title I Grants to Local Educational Agencies

As described in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the Board with CFDA 84.010 Title I Grants to Local Educational Agencies as described in Finding 2019-009 for Activities Allowed and Unallowed and Allowable Costs/Cost Principles. Consequently we were unable to determine whether the Board complied with those requirements applicable to that program.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Title I Grants to Local Education Agencies for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the requirements that could have a direct and material effect on a major federal program and to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2019-009 to be a material weakness.

The Board's response to the internal control over compliance finding identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Board's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

November 5, 2021

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2019

Section I – Summary of Examiner's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Governmental Activities	<u>Unmodified</u>
Governmental Fund – General Fund	<u>Qualified</u>
Governmental Fund – Special Revenue Fund	<u>Qualified</u>
Governmental Fund – Capital Projects Fund	<u>Unmodified</u>

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified?	<u> X </u> Yes	<u> </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None reported

Type of auditor's report issued on compliance for major federal programs:

Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?

 X Yes No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000.00

Auditee qualified as low-risk auditee?

 Yes X No

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2019

Section II – Financial Statement Findings (GAGAS)

Reference Number: 2019-002
Type of Finding: Internal Control
Internal Control Impact: Significant Deficiency
Compliance Impact: None
Repeat of Prior Year Finding: 2018-003

Supporting documentation could not be provided for all disbursements tested.

Finding

The Barbour County Board of Education's (the "Board") *Accounting Procedures Policy Manual* and the Alabama State Department of Education's *Financial Procedures for Local Schools* require all purchases to be supported by proper documentation. During testing of expenditures made by the Board, including those made at the local schools, there were instances noted in which checks written lacked appropriate supporting documentation. There were seven instances noted for purchases made by the Board's central office and thirteen instances noted for purchases made by the local schools. Purchase orders and properly detailed invoices could not be provided for these purchases made by the Board and the local schools. This was due to inadequate record keeping practices and improper procedures over the maintenance of documentation required to make purchases and process payments. As a result, the Board was not in compliance with accounting policies and procedures for expenditures.

This finding was first reported as Finding 2018-003.

Recommendation

The Board should ensure that proper supporting documentation is maintained for all expenditures.

Views of Responsible Officials of the Auditee

The Board agreed with the finding.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2019

Section II – Financial Statement Findings (GAGAS)

Reference Number: 2019-003
Type of Finding: Internal Control
Internal Control Impact: Significant Deficiency
Compliance Impact: None
Repeat of Prior Year Finding: 2018-004

Board employees and administrative personnel were overpaid due to incorrect salary and supplement rates being used and wages not being based on actual time worked.

Finding

The *Code of Alabama 1975*, Section 16-9-32 gives the county superintendent of education the authority to prepare monthly payrolls. These payrolls, including supplements, should be paid using approved salary rates and based on actual time earned.

During testing of payroll disbursements, overpayments were noted as follows:

- ✓ The former Superintendent was paid at a higher salary rate than stated in the Superintendent's contract. The overpayment amounted to \$9,152.99, including matching benefits.
- ✓ A school teacher was overpaid for a salary supplement. This overpayment occurred during fiscal years 2019 and 2020 and totaled \$12,034.94, including matching benefits.
- ✓ A school principal was paid salary that exceeded the amount of salary earned based on days worked during the applicable period. This overpayment occurred during fiscal years 2019 and 2020 and totaled \$7,640.67, including matching benefits.

The Barbour County Board of Education (the "Board") did not have procedures in place to ensure all individuals were paid the proper salary and supplement rates or paid the proper amount for time earned. As a result, these Board employees and administrative personnel were overpaid by a combined total of \$28,828.60 including matching benefits. The former Superintendent repaid the salary overpayment received. The amounts overpaid to the school teacher and the school principal, including matching benefits, remain unpaid and are included on Exhibit 19.

This finding was first reported as Finding 2018-004.

Recommendation

The Board should ensure employees are paid based on the correct salary and supplement rates and paid for actual time earned.

Views of Responsible Officials of the Auditee

The Board agreed with the finding.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2019

Section II – Financial Statement Findings (GAGAS)

Reference Number:	2019-004
Type of Finding:	Internal Control
Internal Control Impact:	Material Weakness
Compliance Impact:	None

Bank reconciliations were not performed accurately or timely.

Finding

The *Code of Alabama 1975*, Section 16-13A-1 requires a local board of education, to ensure the sound fiscal management of board finances and, upon the recommendation of the local superintendent of education, shall adopt fiscal management policies which comply with generally accepted accounting principles, including, but not limited to, policies related to the regular reconciliation of bank statements. The Barbour County Board of Education's (the "Board") *Accounting Procedures Policy Manual* requires the Chief School Financial Officer to be responsible for verifying monthly bank statements are reconciled to the financial records on a timely basis that ensures accurate monthly financial statements. Additionally, all local school bank reconciliations, and lunchroom bank reconciliations, must be submitted to the Chief School Financial Officer by the 15th of the month, every month. The performance of these reconciliations helps the Board to maintain accountability for cash and to minimize the possibility that errors or irregularities, including misappropriations and fraud, could occur and not be detected.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2019

During testing of cash and bank reconciliations it was found that bank reconciliations contained errors and were not performed timely. The following issues were noted:

- ✓ The August 2019 reconciliation for Barbour County High School's (the "High School") bank account was not prepared until August 21, 2020. The September 2019 reconciliation for the High School was not prepared until February 5, 2021. Additionally, the reconciliations for the High School's bank account contained multiple errors. Some of the checks written that cleared the bank account were not recorded in the High School's accounting records or included on the bank reconciliation. Furthermore, other checks that cleared the bank account were included on the bank reconciliation as outstanding. Conversely, there were checks that had not cleared the bank statements but were marked as cleared on the bank reconciliation. These errors totaled a net amount of \$13,340.62.
- ✓ The September 2019 reconciliation for Barbour County Intermediate School's bank account was not prepared until March 6, 2020.
- ✓ The September 2019 reconciliation for Barbour County Primary School's bank account was not prepared until March 10, 2020.
- ✓ The February 2019 through September 2019 reconciliations for the Barbour County Board of Education's (the "Board") General Fund bank account were not prepared until December 14, 2019.

The Board did not have procedures in place to ensure bank accounts were reconciled timely or accurately. As a result of not reconciling the bank accounts in a timely manner, errors occurred that were not corrected timely.

Recommendation

The Board should develop and implement procedures to ensure bank accounts are reconciled timely and accurately.

Views of Responsible Officials of the Auditee

The Board agreed with the finding.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2019

Section II – Financial Statement Findings (GAGAS)

Reference Number: 2019-005
Type of Finding: Internal Control
Internal Control Impact: Material Weakness
Compliance Impact: None

Unreliable journal entries were recorded in the accounting records.

Finding

Governmental Accounting Standards Board Concepts Statements provide details on characteristics of information in financial reporting. One of these characteristics is reliability. It states that "financial reporting should be reliable... information presented should be verifiable and free from bias and should faithfully represent what it purports to represent. Nothing material should be omitted from the information necessary to faithfully represent the underlying events and conditions, nor should anything be included that would cause information to be misleading."

Journal entries were recorded in the accounting records of the Barbour County Board of Education (the "Board") to increase the cash balances of the Board's General Fund to force the bank reconciliations to balance. These journal entries, totaling \$158,666.81 were not supported by actual revenues or cash deposits.

The Board did not have policies and procedures in place to ensure the reliability of journal entries recorded. As a result, the cash balances of the Board's General Fund were overstated for fiscal year 2019, which represents a material misstatement in the General Fund.

Recommendation

The Board should develop and implement policies and procedures to ensure all transactions including journal entries recorded in the accounting records are reliable and supported by actual transactions.

Views of Responsible Officials of the Auditee

The Board agreed with the finding.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2019

Section II – Financial Statement Findings (GAGAS)

Reference Number: 2019-006
Type of Finding: Internal Control
Internal Control Impact: Material Weakness
Compliance Impact: None

Cash receipts were recorded in the incorrect fiscal year.

Finding

Governmental Accounting Standards Board Concepts Statements provide details on characteristics of information in financial reporting. One of these characteristics is reliability. It states that "financial reporting should be reliable... information presented should be verifiable and free from bias and should faithfully represent what it purports to represent. Nothing material should be omitted from the information necessary to faithfully represent the underlying events and conditions, nor should anything be included that would cause information to be misleading."

Journal entries made in the accounting records of the Barbour County Board of Education (the "Board") Special Revenue Fund for deposits of Child Nutrition reimbursements received in December 2019 for fiscal year 2020 were erroneously dated December 2018 resulting in the deposits being posted in fiscal year 2019. The Board did not have policies and procedures in place to ensure journal entries were recorded in the proper period. As a result, the cash balance of the Board's Special Revenue Fund was overstated by \$122,045.07 for fiscal year 2019, which represents a material misstatement in the Special Revenue Fund.

Recommendation

The Board should develop and implement policies and procedures to ensure transactions recorded in the accounting records are recorded in the proper period.

Views of Responsible Officials of the Auditee

The Board agreed with the finding.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2019

Section II – Financial Statement Findings (GAGAS)

Reference Number: 2019-007
Type of Finding: Internal Control
Internal Control Impact: Material Weakness
Compliance Impact: None

Expenditures were not accurately recorded in the accounting records.

Finding

Governmental Accounting Standards Board Concepts Statements provide details on characteristics of information in financial reporting. One of these characteristics is reliability. It states that "financial reporting should be reliable... information presented should be verifiable and free from bias and should faithfully represent what it purports to represent. Nothing material should be omitted from the information necessary to faithfully represent the underlying events and conditions, nor should anything be included that would cause information to be misleading."

During testing of expenditures, it was noted that eighty-six (86) expenditure checks issued by the Barbour County High School (the "High School") cleared the bank account maintained for the High School but were not recorded in the High School's accounting records. These expenditure checks totaled \$26,532.76. Additionally, five (5) journal entries reducing the cash balance were made in the High School's accounting records during various months in fiscal year 2020 but were posted to various months in fiscal year 2019. These journal entries reducing cash balances were not supported by expenditures nor were they directly relatable to the eighty-six (86) unrecorded expenditure checks. The Board did not have proper procedures in place to ensure all transactions were recorded to the accounting records accurately. As a result of not recording all transactions to the accounting records, account balances on the High School's accounting records were misstated by at least \$9,235.64.

Recommendation

The Board should ensure all transactions are recorded accurately.

Views of Responsible Officials of the Auditee

The Board agreed with the finding.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2019

Section II – Financial Statement Findings (GAGAS)

Reference Number: 2019-008
Type of Finding: Internal Control
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Supporting documentation could not be provided for all teacher receipts and athletic events.

Finding

The Alabama State Department of Education's *Financial Procedures for Local Schools* requires receipt documentation procedures over teacher receipts and athletic events to be implemented at the local schools. During testing of receipts at the local schools, supporting documentation for athletic event receipts and concession activity could not be provided for the month of October 2018 from Barbour County High School. Additionally, receipts issued by teachers at Barbour County Primary School could not be provided for review. This was due to inadequate record keeping practices and improper procedures over the maintenance of documentation. As a result, the accuracy of amounts recorded as revenue and amounts deposited could not be determined due to the lack of receipt documentation.

Recommendation

The Board should ensure that proper supporting documentation is maintained for all receipts and revenues.

Views of Responsible Officials of the Auditee

The Board agreed with the finding.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2019

Section III – Federal Awards Findings and Questioned Costs

Reference Number:	2019-009
Compliance Requirement:	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Type of Finding:	Internal Control and Compliance
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
CFDA Number(s) and Title(s):	84.010 – Title I Grants to Local Educational Agencies
Federal Awarding Agency:	U. S. Department of Education
Federal Award Number:	None
Pass-through Entity:	Alabama Department of Education
Pass-through Award Number:	None
Questioned Costs:	\$577,193.19

The Board failed to provide time and effort reports for personnel expenditures charged to the Title I program.

Finding

Title 2 U. S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*, 2 CFR 200.430(i)(5) outlines the standards for documenting personnel expenses. The current standards require an employee working on a single cost objective or an employee whose salary is supported by only one federal program and employees working on multiple cost objectives to document personnel expenses by completing semiannual certifications of their time and effort spent working on the program. In testing the Title I Grants to Local Education Agencies (“Title I”) program payroll costs, time and effort reports were not provided to document employees’ time and effort charged to the Title I program. The Board failed to document time and effort reports for all twenty-two (22) employees paid from the Title I program. As a result, the Board is not in compliance with *Uniform Guidance* as it pertains to the documentation required for personnel services charged to the Title I program.

Recommendation

The Board should ensure proper documentation is retained for all personnel services charged to the Title I program.

Views of Responsible Officials of the Auditee

The Board agreed with the finding.

Summary Schedule of Prior Audit Findings

BARBOUR COUNTY SCHOOLS

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Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2019

As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511, the Barbour County Board of Education has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2019.

Finding Ref. No.	Status of Prior Audit Findings
---------------------------------	---------------------------------------

2018-001	The Alabama State Department of Education (ALSDE) requires General Purpose Financial Statements to be submitted on or before November 1st annually. Furthermore, the <i>Code of Alabama 1975</i> , Section 16-8-37 requires the county board of education to publish a complete statement of receipts by source and disbursements by function for the fiscal year and a statement of outstanding indebtedness at fiscal year-end annually during the month of October. The Board did not submit the General Purpose Financial Statements for fiscal year 2018 to the ALSDE until March 13, 2019. Because of errors noted by the ALSDE, numerous corrections were needed to the financial statements before approval by the ALSDE. The ALSDE approved the financial statements on August 1, 2019. Furthermore, the statement of outstanding indebtedness for fiscal year 2018 was not published until November 29, 2018 and the statement of receipts and disbursements for fiscal year 2018 was not published at all. Year-end closeout journal entries and ALSDE-mandated corrections were not made timely by Board personnel. Furthermore, the Chief School Financial Officer failed to publish financial information timely and in accordance with the <i>Code of Alabama 1975</i> , Section 16-8-37. As a result, the General Purpose Financial Statements were submitted after the ALSDE-required due date and were not published as required by the <i>Code of Alabama 1975</i> , Section 16-8-37.
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Recommendation:

The Board should ensure accounting records are correct and year-end journal entries are made timely in order to meet the ALSDE due date for the General Purpose Financial Statements and publish financial information timely as required by the *Code of Alabama 1975*, Section 16-8-37.

Corrective Action Taken:

The Board is in the process of ensuring timely completion and submission of all required reporting to the Alabama State Department of Education by expecting a close working relationship and open communication between the CSFO and

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Superintendent. Regular check ins and monthly meetings will be conducted by Superintendent to get understanding on status of required reporting listed in finding above. This finding reoccurred because the corrective action taken was after September 30, 2019.

- 2018-002 The *Code of Alabama 1975*, Section 16-13-144(a) provides that no local board of education shall spend or obligate itself to spend more money in any fiscal year than the estimate of income available to that board of education for that year, plus balances on hand at the beginning of the fiscal year. The Board's General Fund had a reconciled cash deficit of \$211,370.15 as well as a deficit fund balance of \$549,948.21. The reconciled deficit cash balance and deficit fund balance were caused by the Board spending or obligating more resources than were available or received. As a result, the Board is not in compliance with the *Code of Alabama 1975*, Section 16-13-144(a).

Recommendation:

The Board should comply with the provisions of the *Code of Alabama 1975*, Section 16-13-144(a).

Corrective Action Taken:

The Board developed the process of keeping regular and open communication with the Superintendent and CSFO in regard to our approved budget. Specifics such as current standing and predicted trend towards approved numbers has been communicated with the utilization of data from reports such as the Budget Analysis report. Corrective action was taken.

- 2018-003 Internal control procedures require adequate supporting documentation for disbursements to be maintained in order to provide a basis for amounts recorded in the financial records, to demonstrate compliance with legal requirements, and to substantiate the allowability of Board or local school purchases. During testing of disbursements, there were instances noted in which checks from Barbour County Primary School and Barbour County High School lacked appropriate supporting documentation due to an inability to locate records maintained by prior school personnel. Additionally, purchase orders and properly detailed invoices for purchases made on a store charge account of Barbour County High School were not maintained. This was due to inadequate recordkeeping practices, which included a lack of communication between employees and management regarding the location of records and improper internal controls over the documentation required to make purchases and disburse payments. As a result, disbursements could be made for unallowable items.

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Recommendation:

The Board should ensure that proper supporting documentation is maintained for all disbursements.

Corrective Action Taken:

To ensure disbursements are made according to policy and procedure, the Board is in the process of relaying expectations of proper money/expense handling procedures as well as best practices to all school bookkeepers/secretaries and their principals. This will allow for current bad habits to be reset and ensure adequate record keeping practices are expected and supported by each school leader. This will also eliminate the mentioned lack of communication between employees and management regarding the location of records and improper internal controls over the documentation required to make purchases and disburse payments. This finding reoccurred because the corrective action taken was after September 30, 2019.

2018-004 An adequate system of internal controls requires payroll disbursements be supported by attendance records and based on days/hours worked. Two 12-month Board employees resigned effective July 12, 2018 and July 13, 2018, respectively. However, both of the employees were paid for working the entire month of July 2018 rather than a prorated amount. Due to a misunderstanding of the payroll process, the Superintendent instructed the individuals be paid their full salary for the month of July 2018. As a result, these two employees were overpaid by a combined total of \$8,574.64, including matching benefits. The amounts are included on Exhibit 20 as charges against the two former employees and the Superintendent.

Recommendation:

The Board should ensure salaries are only paid for days worked.

Corrective Action Taken:

The Board is in the process of ensuring that the Director of HR and Payroll, in addition to possibly CSFO or Superintendent, will communicate information of procedures expected to be performed by payroll department in the event of an employee leaving the school system. This information is to cover the actual procedure of checking agreed upon employment terms and comparing it to communicate last day of employment and making necessary adjustments to pay. The Director of HR will act as second set of eyes before payroll is submitted for processing at the end of the month to ensure above mentioned finding is not repeated. Tools such as the payroll comparison report will be utilized during this process. This finding reoccurred because the corrective action taken was after September 30, 2019.

Schedule of Charges
October 1, 2018 through September 30, 2020

Person/Official	Dates	Fund/ Account	Amount Charged	Amount Relieved By Chief Examiner	Amount Paid	Amount Unpaid	Description of Charge
<u>Charged To:</u>							
Shirley McLendon, School Teacher	10/31/2018 and 11/29/2019	General	\$ 12,034.94	\$	\$ 200.00	\$ 11,834.94	Employee was overpaid a salary supplement in fiscal year 2019 and fiscal year 2020.
Dr. Stephanie Alexander, School Principal	11/29/2018 through 09/30/2020	General	7,640.67	6,978.94	661.73		Employee was paid salary in excess of the salary amount earned based on actual days worked.
Total Charges			<u>\$ 19,675.61</u>	<u>\$ 6,978.94</u>	<u>\$ 861.73</u>	<u>\$ 11,834.94</u>	

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Orders of the Chief Examiner

ORDER OF THE CHIEF EXAMINER

**RE: BARBOUR COUNTY BOARD OF EDUCATION
OCTOBER 1, 2018 THROUGH SEPTEMBER 30, 2019**

This matter of amounts due from the former teacher, Shirley McLendon, for the Barbour County Board of Education was brought before me on the 2nd day of November 2021, pursuant to the provisions of the *Code of Alabama 1975*, Section 41-5A-20. The former teacher for the Barbour County Board of Education failed to appear before me on that date; therefore, I am of the opinion that the former teacher for the Barbour County Board of Education has failed to show just cause why the amounts due should not be paid. Therefore, relief is denied.

Entered this the 3rd day of November, 2021.



**Rachel Laurie Riddle
Chief Examiner**

ORDER OF THE CHIEF EXAMINER

**RE: BARBOUR COUNTY BOARD OF EDUCATION
OCTOBER 1, 2018 THROUGH SEPTEMBER 30, 2019**

This matter of amounts due from the former employee, Dr. Stephanie Alexander, for the Barbour County Board of Education was brought before me on the 2nd day of November 2021, pursuant to the provisions of the *Code of Alabama 1975*, Section 41-5A-20. The former employee for the Barbour County Board of Education appeared before me on that date, and I am of the opinion that the former employee has provided evidence to constitute just cause for partial relief of the charges in the amount of \$6,978.94. Therefore, relief in the amount of \$6,978.94 is granted accordingly. The former employee failed to show just cause why the remaining charges in the amount of \$661.73 should not be paid. Therefore, relief is denied for \$661.73 of the charges.

Entered this the 3rd day of November, 2021.



**Rachel Laurie Riddle
Chief Examiner**

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Auditee Response/Corrective Action Plan



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Superintendent

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Amy Glenn- District 5

Auditee Response/Corrective Action Plan

For the Year Ended September 30, 2019

As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511(c), the Barbour County Board of Education has prepared and hereby submits the following Corrective Action Plan for the findings which are included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2019.

**Finding
Ref.
No.**

Corrective Action Plan Details

2019-002

Finding:

The Barbour County Board of Education's (the "Board") *Accounting Procedures Policy Manual* and the Alabama State Department of Education's *Financial Procedures for Local Schools* require all purchases to be supported by proper documentation. During testing of expenditures made by the Board, including those made at the local schools, there were instances noted in which checks written lacked appropriate supporting documentation. There were seven instances noted for purchases made by the Board's central office and thirteen instances noted for purchases made by the local schools. Purchase orders and properly detailed invoices could not be provided for these purchases made by the Board and the local schools. This was due to inadequate record keeping practices and improper procedures over the maintenance of documentation required to make purchases and process payments. As a result, the Board was not in compliance with accounting policies and procedures for expenditures.

This finding was first reported as Finding 2018-003.

Recommendation:

The Board should ensure that proper supporting documentation is maintained for all expenditures.

Response/Views: We agree with the finding.

Corrective Action Planned: To ensure that proper supporting documentation is maintained for all expenditures the Board will have regular staff meeting along

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with training to make sure that the bookkeepers are aware of the policies and procedures for the district and monitor them to make sure that they are maintaining proper documentation.

Reason for the Recurrence: There has been a lot of changing of personnel and staff.

Anticipated Completion Date: September 30, 2021

Contact Person(s): Dr. Zickeyous Byrd, Superintendent

2019-003

Finding:

The *Code of Alabama 1975*, Section 16-9-32 gives the county superintendent of education the authority to prepare monthly payrolls. These payrolls, including supplements, should be paid using approved salary rates and based on actual time earned.

During testing of payroll disbursements, overpayments were noted as follows:

- The former Superintendent was paid at a higher salary rate than stated in the Superintendent's contract. The overpayment amounted to \$9,152.99, including matching benefits.
- A school teacher was overpaid for a salary supplement. This overpayment occurred during fiscal years 2019 and 2020 and totaled \$12,034.94, including matching benefits.
- A school principal was paid salary that exceeded the amount of salary earned based on days worked during the applicable period. This overpayment occurred during fiscal years 2019 and 2020 and totaled \$7,640.67, including matching benefits.

The Barbour County Board of Education (the "Board") did not have procedures in place to ensure all individuals were paid the proper salary and supplement rates or paid the proper amount for time earned. As a result, these Board employees and administrative personnel were overpaid by a combined total of \$28,828.60 including matching benefits. The former Superintendent repaid the salary overpayment received. The amounts overpaid to the school teacher and the school principal, including matching benefits, remain unpaid and are included on Exhibit #19.

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This finding was first reported as Finding 2018-004.

Recommendation:

The Board should ensure employees are paid based on the correct salary and supplement rates and paid for actual time earned.

Response/Views: We agree with the finding.

Corrective Action Planned: Payroll clerk, in addition to possibly CSFO or Superintendent, will communicate information of procedure expected to be performed by payroll department in the event of an employee leaving the school system. This information is to cover the actual procedure of checking agreed upon employment terms and comparing it to communicate last day of employment and making necessary adjustments to pay. CSFO and/or Superintendent will act as second set of eyes before payroll is submitted for processing at the end of the month to ensure above mentioned finding is not repeated. Tools such as the payroll comparison report will be utilized during this process.

Reason for the Recurrence: There has been a lot of changing of personnel and staff.

Anticipated Completion Date: September 30, 2021

Contact Person(s): Dr. Zickeyous Byrd, Superintendent

2019-004

Finding:

The *Code of Alabama 1975*, Section 16-13A-1 requires a local board of education, to ensure the sound fiscal management of board finances and, upon the recommendation of the local superintendent of education, shall adopt fiscal management policies which comply with generally accepted accounting principles, including, but not limited to, policies related to the regular reconciliation of bank statements. The Barbour County Board of Education's (the "Board") *Accounting Procedures Policy Manual* requires the Chief School Financial Officer to be responsible for verifying monthly bank statements are reconciled to the financial records on a timely basis that ensures accurate monthly financial statements. Additionally, all local school bank reconciliations, and lunchroom bank reconciliations, must be submitted to the Chief School Financial Officer by the 15th of the month, every month. The performance of these reconciliations helps the Board to maintain accountability for cash and to

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minimize the possibility that errors or irregularities, including misappropriations and fraud, could occur and not be detected.

During testing of cash and bank reconcilements it was found that bank reconciliations contained errors and were not performed timely. The following issues were noted:

- The August 2019 reconciliation for Barbour County High School's (the "High School") bank account was not prepared until August 21, 2020. The September 2019 reconciliation for the High School was not prepared until February 5, 2021. Additionally, the reconciliations for the High School's bank account contained multiple errors. Some of the checks written that cleared the bank account were not recorded in the High School's accounting records or included on the bank reconciliation. Furthermore, other checks that cleared the bank account were included on the bank reconciliation as outstanding. Conversely, there were checks that had not cleared the bank statements but were marked as cleared on the bank reconciliation. These errors totaled a net amount of \$13,340.62.
- The September 2019 reconciliation for Barbour County Intermediate School's bank account was not prepared until March 6, 2020.
- The September 2019 reconciliation for Barbour County Primary School's bank account was not prepared until March 10, 2020.
- The February 2019 through September 2019 reconciliations for the Barbour County Board of Education's (the "Board") General Fund bank account were not prepared until December 14, 2019.

The Board did not have procedures in place to ensure bank accounts were reconciled timely or accurately. As a result of not reconciling the bank accounts in a timely manner, errors occurred that were not corrected timely.

Recommendation:

The Board should develop and implement procedures to ensure bank accounts are reconciled timely and accurately.

Response/Views: We agree with the finding.

Corrective Action Planned: To ensure bank accounts are reconciled timely and accurately the Board will have regular staff meeting along with training to make sure that the bookkeepers are aware of the policies and procedures for the district and monitor them to ensure that bank statements are reconciled timely and accurately and submitted to the CSFO. The performance of these reconciliations

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helps the Board to maintain accountability for cash and to minimize the possibility that errors or irregularities, including misappropriations and fraud, could occur and not be detected.

Anticipated Completion Date: September 30, 2021

Contact Person(s): Zickeyous Byrd, Superintendent

2019-005

Finding:

Governmental Accounting Standards Board Concepts Statements provide details on characteristics of information in financial reporting. One of these characteristics is reliability. It states that "financial reporting should be reliable... information presented should be verifiable and free from bias and should faithfully represent what it purports to represent. Nothing material should be omitted from the information necessary to faithfully represent the underlying events and conditions, nor should anything be included that would cause information to be misleading."

Journal entries were recorded in the accounting records of the Barbour County Board of Education (the "Board") to increase the cash balances of the Board's General Fund to force the bank reconciliations to balance. These journal entries, totaling \$158,666.81 were not supported by actual revenues or cash deposits.

The Board did not have policies and procedures in place to ensure the reliability of journal entries recorded. As a result, the cash balances of the Board's General Fund were overstated for fiscal year 2019, which represents a material misstatement in the General Fund.

Recommendation:

The Board should develop and implement policies and procedures to ensure all transactions including journal entries recorded in the accounting records are reliable and supported by actual transactions.

Response/Views: *We agree with the finding.*

Corrective Action Planned: The Board will have bookkeepers attend training and workshops to train them to ensure all transactions including journal entries recorded in the accounting records are reliable and supported by actual transactions.

Anticipated Completion Date: September 30, 2022

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Superintendent

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Amy Glenn- District 5

Contact Person(s): Dr. Zickeyous Byrd, Superintendent.

2019-006

Finding:

Governmental Accounting Standards Board Concepts Statements provide details on characteristics of information in financial reporting. One of these characteristics is reliability. It states that "financial reporting should be reliable... information presented should be verifiable and free from bias and should faithfully represent what it purports to represent. Nothing material should be omitted from the information necessary to faithfully represent the underlying events and conditions, nor should anything be included that would cause information to be misleading."

Journal entries made in the accounting records of the Barbour County Board of Education (the "Board") Special Revenue Fund for deposits of Child Nutrition reimbursements received in December 2019 for fiscal year 2020 were erroneously dated December 2018 resulting in the deposits being posted in fiscal year 2019. The Board did not have policies and procedures in place to ensure journal entries were recorded in the proper period. As a result, the cash balance of the Board's Special Revenue Fund was overstated by \$122,045.07 for fiscal year 2019, which represents a material misstatement in the Special Revenue Fund.

Recommendation:

The Board should develop and implement policies and procedures to ensure transactions recorded in the accounting records are recorded in the proper period.

Response/Views: *We agree with the finding.*

Corrective Action Planned: The Board will have the central office bookkeepers and accountants attend training sessions to ensure transactions recorded in the accounting records are recorded in the proper period.

Anticipated Completion Date: September 30, 2022

Contact Person(s): Dr. Zickeyous Byrd, Superintendent

2019-007

Finding:

Governmental Accounting Standards Board Concepts Statements provide details on characteristics of information in financial reporting. One of these characteristics is reliability. It states that "financial reporting should be reliable... information presented should be verifiable and free from bias and should faithfully represent what it purports to represent. Nothing material should be

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omitted from the information necessary to faithfully represent the underlying events and conditions, nor should anything be included that would cause information to be misleading.”

During testing of expenditures, it was noted that eighty-six (86) expenditure checks issued by the Barbour County High School (the “High School”) cleared the bank account maintained for the High School but were not recorded in the High School’s accounting records. These expenditure checks totaled \$26,532.76. Additionally, five (5) journal entries reducing the cash balance were made in the High School’s accounting records during various months in fiscal year 2020 but were posted to various months in fiscal year 2019. These journal entries reducing cash balances were not supported by expenditures nor were they directly relatable to the eighty-six (86) unrecorded expenditure checks. The Board did not have proper procedures in place to ensure all transactions were recorded to the accounting records accurately. As a result of not recording all transactions to the accounting records, account balances on the High School’s accounting records were misstated by at least \$9,235.64.

Recommendation:

The Board should ensure all transactions are recorded accurately.

Response/Views: We agree with the finding.

Corrective Action Planned: To ensure that all transactions are recorded accurately the Board will have regular staff meeting along with training to make sure that the bookkeepers are aware of the policies and procedures for the district and monitor them to make sure that all transactions are recorded accurately.

Anticipated Completion Date: September 30, 2021

Contact Person(s): Dr. Zickeyous Byrd, Superintendent

2019-008

Finding:

The Alabama State Department of Education’s *Financial Procedures for Local Schools* requires receipt documentation procedures over teacher receipts and athletic events to be implemented at the local schools. During testing of receipts at the local schools, supporting documentation for athletic event receipts and concession activity could not be provided for the month of October 2018 from Barbour County High School. Additionally, receipts issued by teachers at Barbour County Primary School could not be provided for review. This was due

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to inadequate record keeping practices and improper procedures over the maintenance of documentation. As a result, the accuracy of amounts recorded as revenue and amounts deposited could not be determined due to the lack of receipt documentation.

Recommendation:

The Board should ensure that proper supporting documentation is maintained for all receipts and revenues.

Response/Views: *We agree with the finding.*

Corrective Action Planned: To ensure that proper supporting documentation is maintained for all receipts and revenues the Board will have regular staff meeting along with training to make sure that the bookkeepers are aware of the policies and procedures for the district and monitor them to make sure that they are maintaining proper documentation.

Anticipated Completion Date: September 30, 2021

Contact Person(s): Zickeyous Byrd, Superintendent

2019-009

Finding:

Title 2 U. S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*, 2 CFR 200.430(i)(5) outlines the standards for documenting personnel expenses. The current standards require an employee working on a single cost objective or an employee whose salary is supported by only one federal program and employees working on multiple cost objectives to document personnel expenses by completing semiannual certifications of their time and effort spent working on the program. In testing the Title I Grants to Local Education Agencies ("Title I") program payroll costs, time and effort reports were not provided to document employees' time and effort charged to the Title I program. The Board failed to document time and effort reports for all twenty-two (22) employees paid from the Title I program. As a result, the Board is not in compliance with *Uniform Guidance* as it pertains to the documentation required for personnel services charged to the Title I program.

Recommendation:

The Board should ensure proper documentation is retained for all personnel services charged to the Title I program.

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Zickeyous M. Byrd, Ed.D
Superintendent

Barbour County School District

Shirley Johnson, President- District 1
Rev. Jimmie Fryer, Vice President- District 2
Christine George- District 3
Jean Kennedy- District 4
Amy Glenn-District 5

Response/Views: *We agree with the finding.*

Corrective Action Planned: The Board will ensure proper documentation is retained for all personnel services charged to the Title I program.

Anticipated Completion Date: September 30, 2021

Contact Person(s): *Dr. Zickeyous Byrd, Superintendent*



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A matter came to our attention while performing our audit that is not included in the Schedule of Findings and Questioned Costs. This matter will be addressed in the Schedule of State and Local Compliance and Other Findings and is included as a finding below.

Finding

Ref.

No.

Corrective Action Plan Details

2019-001

Finding:

The Alabama State Department of Education (ALSDE) requires General Purpose Financial Statements to be submitted on or before November 1st annually. Furthermore, the *Code of Alabama 1975*, Section 16-8-37, requires the county board of education to publish a complete statement of receipts by source and disbursements by function for the fiscal year and a statement of outstanding indebtedness at fiscal year-end annually during the month of October.

Year-end accounting closeout and correcting journal entries were not prepared timely by Board personnel. The Board did not submit the General Purpose Financial Statements for fiscal year 2019 to the ALSDE until August 28, 2020. Furthermore, the Chief School Financial Officer failed to provide the required 2019 financial information to be published in a local newspaper.

As a result, the Board failed to submit the required information to the ALSDE by the required deadline or comply with the *Code of Alabama 1975*, Section 16-8-37.

This finding was first reported as Finding 2018-001.

Recommendation:

The Board should ensure accounting records are correct and year-end journal entries are made timely in order to meet the ALSDE due date for the General Purpose Financial Statements and publish financial information timely as required by the *Code of Alabama 1975*, Section 16-8-37.

Response/Views: We agree with the finding.

Corrective Action Planned: The Board will ensure accounting records are correct and year-end journal entries are made timely in order to meet the ALSDE due

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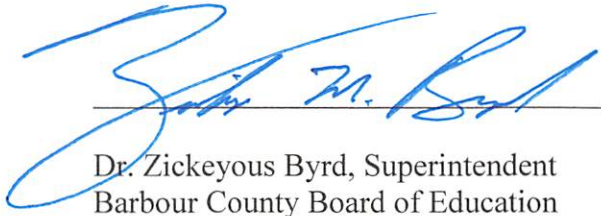
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date for the General Purpose Financial Statements and publish financial information timely as required by the Code of Alabama 1975, Section 16-8-37.

Reason for the Recurrence: There has been a lot of changing of personnel and staff.

Anticipated Completion Date: September 30, 2021

Contact Person(s): Dr. Zickeyous Byrd, Superintendent



Dr. Zickeyous Byrd, Superintendent
Barbour County Board of Education